

**Office of Thrift Supervision**Department of the Treasury *Managing Director, Examinations, Supervision, and Consumer Protection*

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MEMORANDUM FOR: CHIEF EXECUTIVE OFFICERS

FROM: Scott M. Albinson *Scott M. Albinson*

SUBJECT: Reinstatement of the Downward 200 Basis Point Interest Rate Shock in Exposure Reports

On February 7, 2002, OTS issued CEO memorandum 154, informing the industry that Exposure Reports would not report NPV Model results for the downward 200 bps interest rate scenario. This temporary change was made necessary by the very low interest rate environment that prevailed during the past three years. At the time, the yield on the three-month U.S. Treasury bill was 1.72 percent.

As you know, short-term rates have risen during the past several quarters. As of March 31, 2005 the yield on the three-month U.S. Treasury bill was 3.48 percent. Accordingly, the Exposure Reports will once again present NPV Model results for the downward 200 bps interest rate scenario beginning with the March 31, 2005 reporting cycle. Please notify your CMR preparer that market values for all self-valued financial instruments must have a value for the minus 200 bps scenario.

Also, consistent with reinstatement of the downward 200 bps interest rate shock for the March 2005 reporting cycle, each institution's interest rate sensitivity measure and post-shock NPV capital ratio will be based once again on either a 200 bps increase or decrease in interest rates, depending on which shock produces a large decrease in Net Portfolio Value for your institution.

If you have any questions regarding this memorandum, please contact your regional capital markets specialist.